

Message Text

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64

ORIGIN EB-07

INFO OCT-01 EA-06 ISO-00 TRSE-00 COME-00 AID-05 CIAE-00

FRB-01 INR-05 NSAE-00 RSC-01 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-01

CEA-01 L-02 H-01 PRS-01 SAM-01 SAJ-01 /068 R

DRAFTED BY EB/ITP/EWT:SCHAAS:CLK

APPROVED BY EB/ITP/EWT:RBWRIGHT

EA/PRCM - MR. LINCOLN

TREASURY/CUSTOMS/DRR-MR. O'NEIL/SUB

COMMERCE/BEWT-MR. DENNY/SUBS

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R 022355Z DEC 74

FM SECSTATE WASHDC

TO AMCONSUL HONG KONG

INFO USLO PEKING

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E.O. 11652: N/A

TAGS: ETRD, EEWT, EIND, CH, HK, US

SUBJECT: PRC EXPORTS TO US MANUFACTURERS IN HONG KONG

PROPOSED BY AMCHAM

REF: HONG KONG 11668

1. APPRECIATE REFTTEL REPORT. WE GENERALLY CONCUR CONGEN'S ASSESSMENT IN PARAS 3, 4, AND 5.

2. WE WOULD BE INTERESTED IN KNOWING WHAT OTHER PRODUCTS AMCHAM HAS IN MIND BESIDES ELECTRONICS AND TEXTILES. PROPOSAL AS IT APPLIES TO TEXTILES COULD CAUSE POTENTIAL PROBLEMS. FOR EXAMPLE, WOULD THESE PRODUCTS FALL UNDER HONG KONG'S QUOTA? IF SO, WOULD THIS CAUSE DIFFICULTIES WITH HONG KONG AUTHORITIES?

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3. THE AMCHAM CLAIM, PARA 1, THAT PLAN WOULD ENABLE PRC TO BYPASS NON-MFN TARIFF BARRIER NOT RPT NOT ENTIRELY ACCURATE. ONLY IF MANUFACTURE OF PRODUCT IN HONG KONG FROM PRC COMPONENTS SUBSTANTIALLY CHANGES THOSE COMPONENTS, THEN PRODUCT WOULD RECEIVE MFN TARIFF RATE. US CUSTOMS CONSIDERS PRODUCTS ON CASE-BY-CASE BASIS. SIMPLIFICATION OF QUOTE SUBSTANTIAL CHANGE UNQUOTE REQUIREMENT TO VALUE-ADDED FORMULA TO PROVIDE A STRAIGHT FORWARD INDICATION OF WHETHER MFN WOULD APPLY IS NOT RPT NOT POSSIBLE.

4. WHILE AN INCREASE OF \$100-\$150 MILLION IN US IMPORTS FROM THE PRC, COMPARED TO CURRENT LEVELS OF US IMPORTS FROM THE PRC, APPEARS UNREASONABLY LARGE, COMPARED TO CURRENT IMPORTS FROM HONG KONG IT WOULD REPRESENT ONLY A 10 PERCENT INCREASE AND MIGHT, IF THE OTHER OBSTACLES OF PARA 3 WERE MET, BE ATTAINABLE. KISSINGER

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